

2014-15



MKHONDO LOCAL MUNICIPALITY

2014/15 – 2016/17

MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



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PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT

The Honourable Executive Mayor of Mkhondo Local Municipality, Councillor B.H Mtshali delivered his 2014/2015 draft budget speech to Council Chamber on Thursday, 30 March 2014. The Executive Mayor's address sought the Council an adoption of a 2014/15 Draft budget of R342, 6million for the as per the provisions of Section 24 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

In its effort to increase the service delivery momentum in the 2014/2015 financial year, the Municipality will envisage spending acceleration of more than R92, 2million on various infrastructural development projects. A capital budget of R72, 7million approved MIG allocation will be spent on an intensive service delivery programme which will include the following; Upgrading of water bulk line in Group 10; Installation of water bulk line to Rustplaas, Maphepheni; Construction of Driefontein to Iswepe to Haartebeesfontein water bulk line; access roads in eThandakukhanya; Multi Purpose Community Centre (MPCC) in Amsterdam and Extension of Piet Retief Sewer Treatment Plant.

Despite the community protests that engulfed Mkhondo in the past few months, we are using our baseline to draw from the past performance of the previous year. I am proud to reflect on some of the performance highlights we set as objectives and eventually prioritized them as key government areas. Largely through the MIG funded projects, the Municipality managed to make an impact to the communities we serve. We invested in the development of infrastructure by installing VIP toilets, installation of water reticulation at Ethandukukhanya Ext 6 & 8, installation of high mast lights, rehabilitation of Josia Thabede (Church) street, Lillian Ngoyi (Kotze) street, Joe Slovo Rylaan (Kruger) street, Bus & Taxi route at Thandukukhanya, Bus & Taxi route at KwaThandeka and Amsterdam Ext. 2, the construction of eMkhondo Taxi Rank, to list but a few.

I also want to mention in brief the milestones the Municipality achieved in the past five consecutive years:

- Nkonjaneni water borne sanitation - 281 households received sanitation service and was also connected to water.
- Second water treatment plant in Piet Retief was completed by GSDM and Mkhondo connected this new plant with the main water reservoirs.
- 363 Households have electricity in Mangosuthu the project to be completed in July for the whole village (1029).
- 677 Households have access to water in "Mangosuthu" the project to be completed in July for the whole village (1029).
- Water reticulation in Iswepe is finished and Haartebeesfontein is currently being completed.
- Fencing of municipal infrastructure e.g. Cemeteries, reservoirs, halls, etc.
- More than 1 000 VIP toilets were installed in different wards.
- Bus and taxi routes in KwaThandeka (multiyear project).
- Bus and taxi routes in eThandukukhanya (multiverse project).

- Installation of high mast lights in various wards.
- Upgrading and rehabilitation of eMkhondo taxi rank.
- Extension of Pit Retief waste water is nearing its completion.
- Construction of 6ML reservoir nearing its completion at eThandukukhanya in Eziphunzini area.
- Electrification of villages e.g. Emakhaya, eBhodweni, Eziphunzini, Ezimbidleni,
- Reticulation of water in rural areas using boreholes, water springs kind-of projects, etc.
- Community amenities such as Halls, Sports Facilities, Cemeteries, Community Health Centers, Youth Centers built in conjunction with Government Departments, to mention a few.
- Construction of RDP houses in the form of PHP, In Situ, Township Settlements, etc.

The Comprehensive Rural Development Programme (CRDP) brought about significant change in the rural areas. The Masibuyele Emasimini programme continues to grow. The Jabulani Agri-village development is extraordinary. Through the human settlement integrated programme, the current community members of the Jabulani Agri-village, Rustplaas, Emaphpheni, Mangosuthu, etc, have so far been able to receive constructed brick houses. The state of the art schools and clinics have been built around Mkhondo. This therefore necessitates our unwavering commitment to ensuring the consultation and involvement of all stakeholders through the IDP consultative and IDP Stakeholders Forum meetings. The support that every stakeholder demonstrated cannot go unnoticed.

1.2 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Municipality, Councillor BH Mtshali delivered his 2014/2015 draft budget speech to Council Chamber on Thursday, 30 March 2014, for Council to consider the draft annual budget of the municipality for the financial year 2014/15. The Council adopted the following budget resolutions in terms of section 24 of the Municipal Financial Management Act;

- Operational Budget
- Capital Budget
- Annual Tariffs list

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 72 was used to guide the compilation of the 2014/15 MTREF

The main challenges experienced during the compilation of the budget 2014/15 can be summarised as follows;

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships bare service from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2014/15 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget were adopted as the upper limits for the new business line for the 2014/15 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPIX, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of Bulk Water and Electricity. In addition, tariffs need to remain or move towards being cost effective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

Recommendations and Comments from PT in terms of section 22 of the MFMA on 2014/15 draft Budget Assessment were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a draft budget to, amongst others, the Provincial Treasury immediately after tabling the draft budget in Council. In turn, the Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The draft budget benchmarking engagements have been designed to give effect to these legislative requirements.

- The tariffs structure requires to be reviewed since most of the trading service are currently operating at the loss. Ideally trading services should trade at the profit of 10 per cent and economic services (refuse) should at least break even.

- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- 40% of the total capital budget should be allocated towards the renewal of existing infrastructure as per Circular no.55, currently it stands at 4.7% as compared to a general norm of 8%
- Debt impairment and depreciation be budgeted in full amount of R111, 0million, the two non- cash items will cause the budget to be in a deficit, however in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceed the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

1.4 Operating Revenue Framework

Total operating revenue for 2014/15 financial year is R342, 6 million, when compared to the 2013/14 Adjustments Budget of R306, 5million. For the two outer years, operational revenue will increase by 5.4 per cent respectively.

Total operating expenditure for the 2014/15 financial year has been appropriated at R399, 8million and translates into a budgeted surplus of R14, 5million towards funding own capital contribution. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 8 per cent in the 2013/14 budget and by 5.4 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R92, 3million for 2014/15 is 16 per cent lesser when compared to the 2013/14 Adjustment Budget due to R31million rollover coming from the 2012/13 financial year.

1.4.1 Municipal Tariffs

1.4.1.1 Property Rates

Mkhondo municipality have recently received the new valuation roll and it will be effective as from 01 July 2014. It will bring an upward change in revenue estimation as more properties are now included in the Property rates to generate more revenue as well as to cover the cost of providing general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.67 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 6 per cent property rate tariffs increase for 2014/15 financial year will see a revenue projection of R29.7million as compared to the R25.2million in 2013/14 financial year. Reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands and Council add an extra R42 000 to it to bring the value to R58 000 which will be exempted from rates.

Rebates for newly rateable properties including agricultural sector are implemented as follows;

- Year 1 - 50%
- Year2 – 0%

Rebates for residential will be 20%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 5.8 per cent increase from 1 July 2014 is contained below:

Table1 - Comparison of proposed rates to levied for the 2014/15 financial year

Category	Current tariffs (2013/14)	Approved tariffs (2014/15)
Residential	R0.007969	R0.008431
Business/Industrial	R0.007791	R0.008737
Agriculture	R0.001880	R0.002108
State owned	R0.008258	R0.008737
Psi	R0.001992	R0.002108
Vacant	R0.014358	R0.015190
Pbo	R0.001992	R0.002108

1.4.1.2 Sale of Electricity and impact of tariffs increase

NERSA approved an 7.39 per cent on the municipal electricity tariff for 2014/15 annual budget compilation. Mkhondo Local Municipality has applied to NERSA 7.39 per cent which was approved and that tariffs will be effective in the new financial billing starting on the 01st July 2014.

Considering the Eskom increases, the consumer tariff had to be increased by 7.39 per cent to offset the additional ESKOM bulk purchase cost from 1 July 2014. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy which it was approved in Council during 2013/14 budget, it grants indigents household free electricity supply up to 50KWh and that threshold will continue in this 2014/15 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other - 5.9%
- Electricity Consumption KWh - 7.39%

1.4.1.3 Sales of Water and Impact of tariff increase

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a prepaid water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the prepaid meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R13.00 each month for every vacant stand excluding Council properties.

Table 2 - Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current Amount Payable 2013/14	Approved Amount Payable 2014/15	Difference (Increase)	Percentage Change
0 - 6	0	R3.48	R3.48	100%
7 – 20	R4.08	R4.32	R0.24	5.9%
21 – 40	R5.77	R6.11	R0.34	5.9%
41 – 60	R7.62	R8.07	R0.45	5.9%
61 - above	R8.05	R8.52	R0.47	5.9%

The free basic water will be provided to all household per month as may be amended from time to time to a maximum of 6kℓ.

By laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

1.4.1.4 Sanitation and Impact of tariffs increase

Tariff increase of 5.9% for sanitation has been approved as from 01 July 2014. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents

Table 3 - Comparison between current sanitation charges and increases

Classification Monthly	Current Amount Payable	Approved Amount Payable	Difference (Increase)	Percentage Change
Stand – 1 st toilet	R31.98	R33.87	R1.89	5.9%
Consecutive toilet	R28.89	R30.59	R1.70	5.9%
2 & 3 stands	R26.85	R28.43	R1.58	5.9%
Backwash pools	R16.63	R17.61	R0.98	5.9%
Sewerage sludge p/c/m	R11.23	R11.89	R0.66	5.9%

1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 6% tariff on all categories of in terms of their classifications and waste bins.

Table4 - Comparison between current Refuse removal charges and increases

Classification Monthly	Current Amount Payable	Approved Amount Payable	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R43.47	R46.04	R2.57	5.9%
From all other premises, per user	R109.92	R116.41	R6.49	5.9%
If two users jointly make use of a bulk refuse container, per user	R228.80	R242.30	R13.50	5.9%
Bulk refuse container per individual user.	R461.30	R488.52	R27.22	5.9%
Additional Waste - Landfill site per Ton	R28.12	R29.78	R1.66	5.9%

1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

**Table 5 - MP303 Mkhondo - Table A4 Budgeted Financial Performance
(revenue and expenditure)**

Description R thousand	Ref 1	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Revenue By Source</u>											
Property rates	2	13,257	15,130	18,893	25,222	25,222	25,222	25,222	29,672	31,274	32,963
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	2	60,118	72,647	79,847	85,090	83,096	83,096	83,096	93,339	98,380	103,692
Service charges - water revenue	2	11,220	12,417	11,250	14,863	14,390	14,390	14,390	15,073	15,887	16,745
Service charges - sanitation revenue	2	5,128	4,925	5,649	6,047	9,261	9,261	9,261	10,778	11,360	11,973
Service charges - refuse revenue	2	5,938	6,335	6,738	10,324	7,115	7,115	7,115	7,600	8,010	8,443
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		322	570	557	525	937	937	937	979	1,032	1,088
Interest earned - external investments		2,299	4,650	2,347	1,880	2,630	2,630	2,630	2,800	2,951	3,111
Interest earned - outstanding debtors		-	-	-	11,576	2,037	2,037	2,037	9,000	9,486	9,998
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		819	854	859	1,167	1,190	1,190	1,190	1,310	1,381	1,455

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Licences and permits	-	-	-	26	94	94	94	99	104	110
Agency services	5,298	5,427	2,511	5,800	8,174	8,174	8,174	8,631	9,098	9,589
Transfers recognised - operational	96,795	141,468	150,931	115,106	117,030	117,030	117,030	132,752	139,921	147,476
Other revenue	2	34,096	31,782	9,949	21,915	32,535	32,535	32,535	27,767	29,266
Gains on disposal of PPE	-	-	1,393	-	2,810	2,810	2,810	2,810	2,962	3,122
Total Revenue (excluding capital transfers and contributions)		235,290	296,205	290,923	299,541	306,521	306,521	306,521	342,611	361,112
Expenditure By Type	-									
Employee related costs	2	60,608	74,159	86,757	88,182	93,248	93,248	93,248	99,805	105,194
Remuneration of councillors		4,898	8,262	12,100	10,333	11,303	11,303	11,303	9,900	10,435
Debt impairment	3	5,507	2,995	1,917	15,491	15,491	15,491	15,491	16,359	17,242
Depreciation & asset impairment	2	66,732	67,633	71,498	69,183	69,183	69,183	69,183	73,058	77,003
Finance charges		1,881	1,694	1,184	1,940	880	880	880	929	979
Bulk purchases	2	54,533	69,914	63,268	65,628	74,160	74,160	74,160	80,924	85,294
Other materials	8	-	-	11,583	1,393	18,701	18,701	18,701	26,432	27,859
Contracted services		-	-	32,635	16,124	24,261	24,261	24,261	25,753	27,143
Transfers and grants		6,795	5,480	3,466	18,455	8,233	8,233	8,233	12,872	13,567
Other expenditure	4, 5	46,402	66,692	35,753	86,545	60,213	60,213	60,213	69,605	73,363
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Expenditure		247,355	296,829	320,160	373,275	375,673	375,673	375,673	415,635	438,080
Surplus/(Deficit)		(12,065)	(624)	(29,237)	(73,734)	(69,152)	(69,152)	(69,152)	(73,024)	(76,968)
Transfers recognised - capital	12	41,908	56,954	65,623	97,223	97,223			77,765	81,964
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-
Contributed assets		-	10,287	-	24,800	24,800	24,800		-	-
Surplus/(Deficit) after capital transfers & contributions		(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year		(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997
										5,266

The budget allocation for employee related cost for the 2014/15 financial year totals to R99, 8million, which equals 29 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement that has just came to an end for the wage agreement term, the salary increase has been factored into this budget at a percentage increase of 6.80 per cent for the 2014/15 financial year. The major budget implications was the filling of critical vacancies that existed and the Organogram reviewed and costed, however, with limited sources of funding only most critical posts at service delivery departments were prioritised and those vacant but not yet funded will be priorities in the next coming adjustment budget if not coming 2015/16 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2014/15 next budget allocation as gazetted for remuneration of councillors has an amount of R4.million for councillors' remuneration as well as the stipend for the ward councillor's of R2, 5million which has been considered during the compilation of the 2014/15 Budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital) as well as bank charges. Finance charges make up 1 per cent (R 926k) of the budgeted operating expenditure.

Bulk purchases are directly informed by the purchase of electricity (R80.4million & R550 000 respectively) from Eskom and DWA for water supply from Heyshope Dam to refill Mkhondo's water level. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions.

Other material comprises of amongst others the purchase of fuel, diesel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritised to ensure sustainability of the service delivery.

1.5.1 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. The target is to register additional 10 per cent or more indigent households during the 2014/15 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 6 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref 1	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated											
Vote 1 - Executive Council	2	1	1,011	4,247	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office		207	23	-	260	-	-	-	1,757	1,852	1,952
Vote 3 - Corporate Services		10	1,092	1,963	2,930	1,250	-	-	1,200	1,265	1,333
Vote 4 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 5 - Health		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community & Social Services		-	1,048	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 8 - Public Safety		-	650	32	1,030	487	-	-	1,600	1,686	1,777
Vote 9 - Sports & Recreation		-	-	-	-	-	-	-	223	235	248
Vote 10 - Roads & Technical Services		14	41,950	23,181	35,200	40,577	-	-	29,424	31,013	32,688
Vote 11 - Waste Management		-	1,900	5,466	-	-	-	-	200	211	222
Vote 12 - Waste Water Management		96	5,932	17,570	35,700	31,826	-	-	12,258	12,920	13,618
Vote 13 - Water		163	464	8,911	27,548	53,841	-	-	37,663	39,696	41,840
Vote 14 - Electricity		-	8,671	2,321	-	3,674	-	-	7,475	7,879	8,304
Vote 15 - Other		91	-	800	-	-	-	-	460	485	511
Capital multi-year expenditure sub-total	7	582	62,741	64,491	102,668	131,655	-	-	92,260	97,242	102,493
Single-year expenditure to be appropriated	2										
Vote 1 - Executive Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget & Treasury Office		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Planning & Development		-	-	-	-	-	-	-	-	-	-
Vote 5 - Health		-	-	-	-	-	-	-	-	-	-
Vote 6 - Community & Social Services		-	-	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 8 - Public Safety		-	-	-	-	-	-	-	-	-	-

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Vote 9 - Sports & Recreation Vote 10 - Roads & Technical Services Vote 11 - Waste Management Vote 12 - Waste Water Management Vote 13 - Water Vote 14 - Electricity Vote 15 - Other	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	582	62,741	64,491	102,668	131,655	-	-	92,260	97,242	102,493	
Capital Expenditure - Standard											
Governance and administration	218	2,126	6,210	3,190	1,250	-	-	2,957	3,116	3,285	
Executive and council	1	1,011	4,247	-	-						
Budget and treasury office	207	23	-	260	-			1,757	1,852	1,952	
Corporate services	10	1,092	1,963	2,930	1,250			1,200	1,265	1,333	
Community and public safety	-	1,698	32	1,030	487	-	-	1,823	1,921	2,025	
Community and social services	-	1,048	-	-	-			-	-	-	
Sport and recreation	-	-	-	-	-			223	235	248	
Public safety	-	650	32	1,030	487			1,600	1,686	1,777	
Housing	-	-	-	-	-						
Health	-	-	-	-	-						
Economic and environmental services	14	41,950	23,181	35,200	40,577	-	-	29,424	31,013	32,688	
Planning and development	-	-	-	-	-			1,280	1,349	1,422	
Road transport	14	41,950	23,181	35,200	40,577			28,144	29,664	31,266	
Environmental protection	-	-	-	-	-						
Trading services	259	16,967	34,269	63,248	89,341	-	-	57,596	60,706	63,984	
Electricity	-	8,671	2,321	-	3,674			7,475	7,879	8,304	
Water	163	464	8,911	27,548	53,841			37,663	39,696	41,840	
Waste water management	96	5,932	17,570	35,700	31,826			12,258	12,920	13,618	
Waste management	-	1,900	5,466	-	-			200	211	222	
Other	91	-	800	-	-			460	485	511	
Total Capital Expenditure - Standard	3	582	62,741	64,491	102,668	131,655	-	-	92,260	97,242	102,493
Funded by:											
National Government	12	41,908	56,954	65,623	97,223			77,765	81,964	86,390	
Provincial Government	-	-	-	-	-						
District Municipality	-	10,287	-	24,800	24,800						
Other transfers and grants	-	-	-	-	-						

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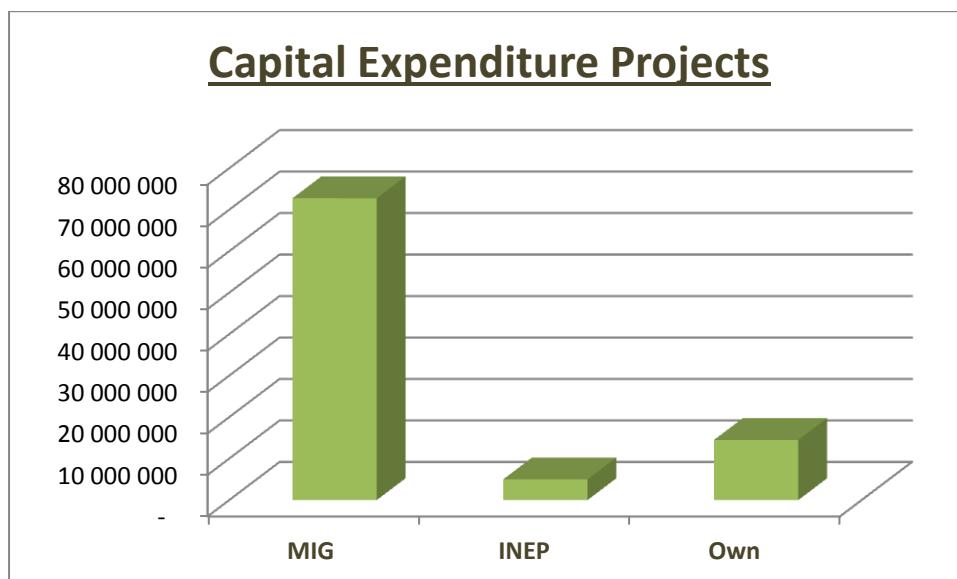
Transfers recognised - capital	4	12	52,195	56,954	90,423	122,023	-	-	77,765	81,964	86,390
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing Internally generated funds	6	-	6,332	-	-	-	-	-	14,495	15,278	16,103
Total Capital Funding	7	582	62,741	64,491	102,668	131,655	-	-	92,260	97,242	102,493

For 2014/15 an amount of R92.3million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on water supply of R37.7million which equates to 41 per cent will address sewer challenges that the municipality is currently facing.

Our municipal road infrastructure has aged and requires rehabilitation of streets in main towns as well as storm drainage system, therefore an amount of R28.1million which equates to 30 per cent will be spent on rehabilitation and resealing of roads in order improve access of mobility in and around township eMkhondo.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 1 Capital Expenditure Programme



1.7 Annual Budget Tables

Table 7 - MP303 Mkhondo - Table A1

Budget Summary

Description R thousands	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Financial Performance</u>										
Property rates	13,257	15,130	18,893	25,222	25,222	25,222	25,222	29,672	31,274	32,963
Service charges	82,404	96,324	103,484	116,324	113,862	113,862	113,862	126,790	133,637	140,853
Investment revenue Transfers recognised - operational	2,299	4,650	2,347	1,880	2,630	2,630	2,630	2,800	2,951	3,111
Other own revenue	96,795	141,468	150,931	115,106	117,030	117,030	117,030	132,752	139,921	147,476
	40,535	38,633	15,268	41,009	47,777	47,777	47,777	50,597	53,329	56,209
Total Revenue (excluding capital transfers and contributions)	235,290	296,205	290,923	299,541	306,521	306,521	306,521	342,611	361,112	380,612
Employee costs	60,608	74,159	86,757	88,182	93,248	93,248	93,248	99,805	105,194	110,874
Remuneration of councillors Depreciation & asset impairment	4,898	8,262	12,100	10,333	11,303	11,303	11,303	9,900	10,435	10,998
	66,732	67,633	71,498	69,183	69,183	69,183	69,183	73,058	77,003	81,161
Finance charges Materials and bulk purchases	1,881	1,694	1,184	1,940	880	880	880	929	979	1,032
	54,533	69,914	74,851	67,021	92,861	92,861	92,861	107,356	113,153	119,263
Transfers and grants	6,795	5,480	3,466	18,455	8,233	8,233	8,233	12,872	13,567	14,300
Other expenditure	51,909	69,687	70,304	118,160	99,965	99,965	99,965	111,716	117,748	124,107
Total Expenditure	247,355	296,829	320,160	373,275	375,673	375,673	375,673	415,635	438,080	461,736
Surplus/(Deficit)	(12,065)	(624)	(29,237)	(73,734)	(69,152)	(69,152)	(69,152)	(73,024)	(76,968)	(81,124)
Transfers recognised - capital	12	41,908	56,954	65,623	97,223	97,223	–	77,765	81,964	86,390
Contributions recognised - capital & contributed assets	–	10,287	–	24,800	24,800	24,800	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997	5,266
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997	5,266
<u>Capital expenditure & funds sources</u>										
Capital expenditure	582	62,741	64,491	102,668	131,655	–	–	92,260	97,242	102,493
Transfers recognised - capital	12	52,195	56,954	90,423	122,023	–	–	77,765	81,964	86,390
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	6,332	–	–	–	–	–	–	–	–
Internally generated funds	570	4,214	7,537	12,245	9,632	–	–	14,495	15,278	16,103
Total sources of capital funds	582	62,741	64,491	102,668	131,655	–	–	92,260	97,242	102,493

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<u>Financial position</u>										
Total current assets	61,392	70,623	49,953	219,302	173,980	173,980	173,980	190,144	200,412	211,234
Total non current assets	1,367,263	1,362,059	1,395,184	1,403,570	1,325,658	1,325,658	1,325,658	1,398,867	1,474,405	1,554,023
Total current liabilities	78,324	84,749	80,942	55,187	47,280	47,280	47,280	52,307	55,131	58,108
Total non current liabilities	14,431	12,656	30,579	13,501	14,000	14,000	14,000	40,268	37,979	40,029
Community wealth/Equity	1,335,900	1,335,277	1,333,616	1,554,184	1,438,358	1,438,358	1,438,358	1,412,090	1,498,725	1,579,656
<u>Cash flows</u>										
Net cash from (used) operating	44,373	76,780	60,753	919	77,312	77,312	77,312	46,327	48,829	51,465
Net cash from (used) investing	(39,566)	(63,142)	(62,031)	(73,974)	(98,702)	(98,702)	(98,702)	(85,812)	(90,445)	(95,329)
Net cash from (used) financing	(953)	(1,374)	(20,403)	(1,374)	(1,374)	(1,374)	(1,374)	–	–	–
Cash/cash equivalents at the year end	33,174	45,438	23,757	8,869	46,397	46,397	46,397	3,212	(38,404)	(82,268)
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	48,821	62,675	23,757	121,270	69,161	69,161	69,161	78,435	82,670	87,134
Application of cash and investments	54,355	66,695	42,414	(16,735)	(35,873)	(35,873)	(35,873)	(57,153)	(8,525)	(8,987)
Balance - surplus (shortfall)	(5,534)	(4,020)	(18,657)	138,005	105,034	105,034	105,034	126,314	86,960	91,657
<u>Asset management</u>										
Asset register summary (WDV)	1,388,627	1,331,880	1,356,620	1,298,992	1,198,654	1,198,654	1,198,654	1,265,779	1,265,779	1,334,131
Depreciation & asset impairment	66,732	67,633	71,498	69,183	69,183	69,183	69,183	73,058	73,058	77,003
Renewal of Existing Assets	–	–	–	–	–	–	–	–	–	–
Repairs and Maintenance	–	6,725	10,213	10,208	18,701	18,701	18,701	26,369	26,369	27,793
<u>Free services</u>										
Cost of Free Basic Services provided	94,483	94,483	94,483	72,865	72,865	72,865	72,865	72,865	72,865	72,865
Revenue cost of free services provided	259	259	259	259	259	259	259	259	259	259
<u>Households below minimum service level</u>										
Water:	–	–	–	–	–	–	–	–	–	–
Sanitation/sewerage:	–	–	–	–	–	–	–	–	–	–
Energy:	–	–	–	–	–	–	–	–	–	–
Refuse:	–	–	–	–	–	–	–	40	40	42
										45

PART 2 – Supporting Documentation

1.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

2.1.1 The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

1.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In developing the 5-year IDP, a process plan was developed and adopted by Council. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.'

2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;

- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

1.3 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2011-2016 Integrated Development Planning process. The public consultation process was again conducted during April /May2014 for the Draft IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 8 Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	X	X	X	X	X	X		X	X							X		X	X
2	SANITATION	X	X	X	X	X	X		X	X							X		X	X
3	ELECTRICITY (Household Connections)	X	X	X	X	X	X		X	X						X	X	X	X	X
4	ELECTRICITY (Streetlights/Apollo)	X	X	X	X	X	X	X	X	X	X	X	X			X	X	X	X	X
5	CEMETERIES	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6	ROADS (Levelling & Grading)	X	X	X	X	X			X	X	X						X		X	X
7	ROADS (Tarring)							X			X	X			X	X		X	X	
8	STADIUMS	X	X	X	X	X	X											X	X	X
9	HALLS	X	X	X			X		X	X	X	X						X	X	X
10	HALLS (FURNISHING &FENCING)				X	X											X			X
11	STANDS/SITES					X	X				X	X								X
12	SPEED HUMPS					X	X	X		X	X	X	X	X	X			X	X	X

2.4 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the five development priorities of the municipality, which are the national Key Performance Areas for local government, namely:

- Basic Service Delivery
- Municipal Institutional Development and Transformation

MKHONDO LOCAL MUNICIPALITY 2014/15 – 2016/17 MTREF BUDGET

- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

Table 9 - MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective R thousand	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17	
Municipal governance and administration				57,104	116,210	244,055	194,676	210,770	210,770	196,147	206,739	217,903	
Community and public safety				17,852	16,673	757	19,798	20,433	20,433	21,531	22,693	23,919	
Economic and environmental services				30,013	27,834	6,542	40,649	36,579	36,579	36,920	38,914	41,015	
Trading services				134,849	128,675	68,805	102,809	92,193	92,193	145,139	152,976	161,237	
Other services				7,537	7,437	–	15,343	15,698	15,698	15,899	16,757	17,662	
Allocations to other priorities													
Total Expenditure				1	247,355	296,829	320,160	373,275	375,673	375,673	415,635	438,080	461,736

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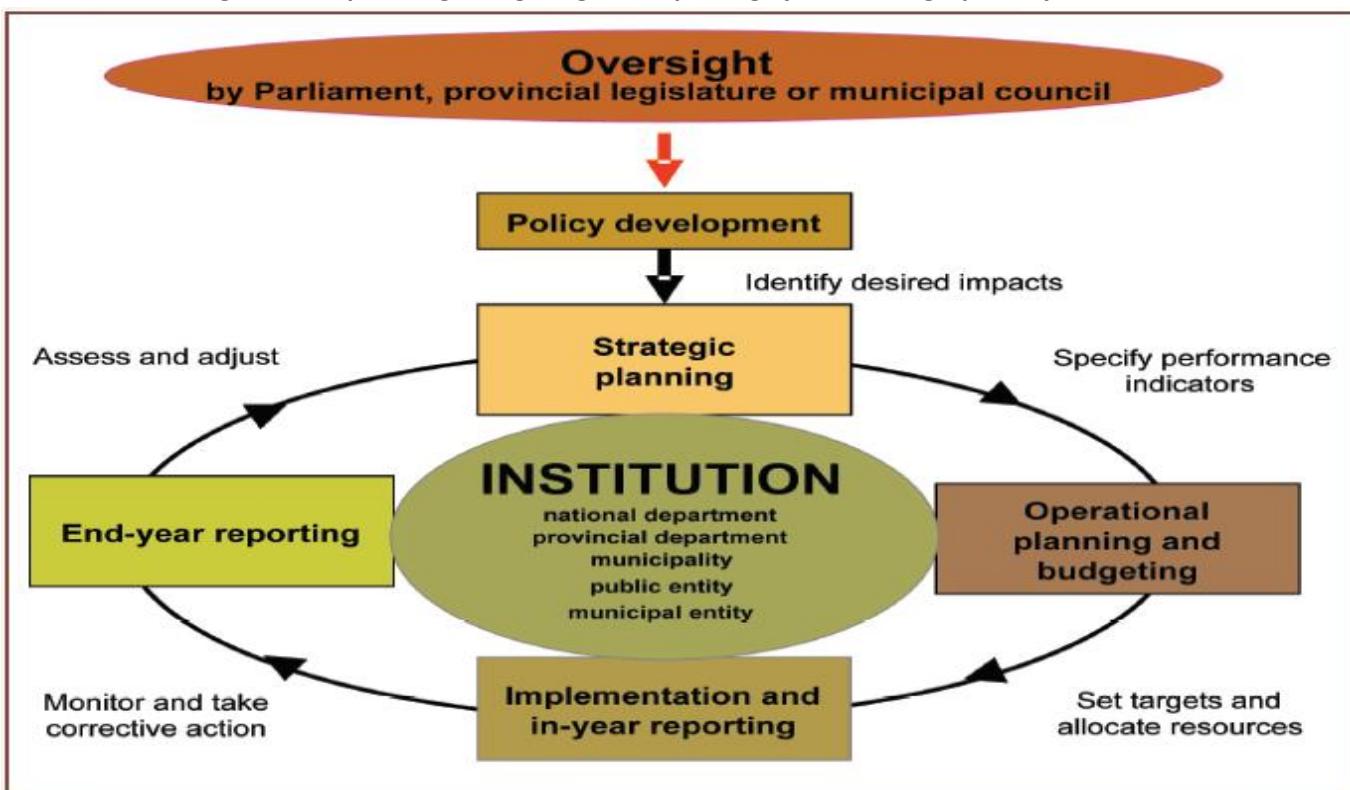
Table 10 IDP Strategic Development Priorities and Objectives

Basic Service Delivery	Municipal Institutional Development and Transformation	Local Economic Development	Financial Viability and Management	Good Governance and Public Participation
➤ To accelerate the Provision of Water, Sanitation, Roads, Storm Water and Electricity services in partnership with key stakeholders to meet millennium targets and improve the living conditions for all.	➤ To provide support to both the administrative and political offices of the municipality in order to enable their maximum performance.	➤ To facilitate and market opportunities and advantages of Mkhondo Municipality in order to attract local and foreign direct investment.	➤ To align with the needs of the public through alignment with the IDP to ensure spending where it is most needed.	➤ To increase transparency and legitimacy in decision making processes of the municipality.
➤ To accelerate provision of services relating to disaster management, safety, fire, emergency, as well as traffic and licensing	➤ To facilitate representation of previously disadvantaged individuals (PDIs) in both administrative and political offices of the municipality.	➤ To support growth and development of tourism sector within Mkhondo Municipality.	➤ To ensure that the Municipality maintains its Clean Audit record and Good Financial Management.	➤ To strengthen public participation through Izimbizo, IDP Forums and other communication platforms, this will include previously marginalised groups.
➤ To accelerate provision of services relating to solid waste, parks and gardens; whereas ensuring environmental sustainability of all developments.	➤ To provide education and training for officials and councillors in order to increase their efficiency on the job.	➤ To support cooperatives' and small business development.	➤ To manage internal and external income efficiently; and thus render a sound service to the public.	➤ To improve internal systems and controls, and increase the overall operational efficiency of the municipality to fulfil its responsibilities.
➤ To support provision of comprehensive services and ensure that communities can have access to services which are closer to them.			➤ To assist all departments administratively in increasing their expenditure.	

2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and yet to implement a performance management system of which system is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organisational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Asset Management Policy
- Banking and Cash Management policy
- Indigent Policy
- Inventory Management policy
- Rates policy
- Rental policy
- Risk Management Policy
- Fleet Management policy
- Bad debt write-off policy
- Asset Disposal policy

2.7 Overview of Budget assumptions

2.7.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan.

2.7.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (74 per cent) of annual billings. Cash flow is assumed to be 74 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

2.7.3 Salary increase

The collective agreement regarding salaries/ wages which is coming to an end by 30 June 2014 according to the three year wage agreement with SALGBC, an estimated growth in employee related cost is budgeted at $(5.8 + 1.0) = 6.8$ per cent for 2014/15 financial year, notwithstanding the NT circular no.72 in terms of the guidelines.

2.8 Overview of Capital Budget Funding Sources

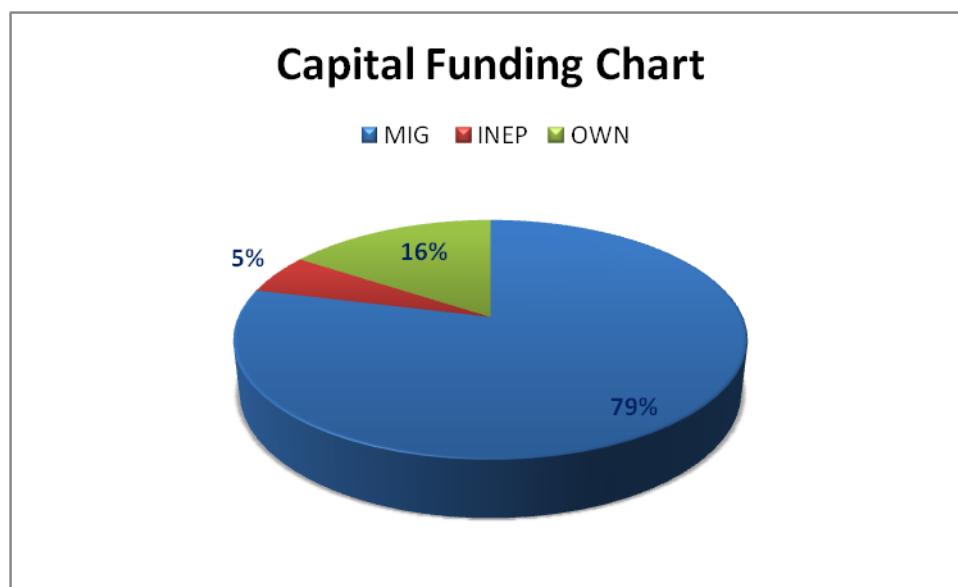
2.8.1 Medium – term outlook: Capital Revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 11 - MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funded by:											
National Government		12	41,908	56,954	65,623	97,223			77,765	81,964	86,390
Provincial Government		-	-	-	-	-					
District Municipality		-	10,287	-	24,800	24,800					
Other transfers and grants		-	-	-	-	-					
Transfers recognised - capital	4	12	52,195	56,954	90,423	122,023	-	-	77,765	81,964	86,390
Public contributions & donations	5	-	-	-	-	-					
Borrowing	6	-	6,332	-	-	-					
Internally generated funds		570	4,214	7,537	12,245	9,632			14,495	15,278	16,103
Total Capital Funding	7	582	62,741	64,491	102,668	131,655	-	-	92,260	97,242	102,493

Figure 3 Sources of capital revenue for the 2014/15 financial year



Capital grants and receipts equates to 84 per cent of the total funding source which represents R77.7million and just under 16 per cent for own funded capital to a tune of R14.5million.

2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 12 - MP303 Mkhondo
Supporting Table SA10 Funding
measurement**

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	33,174	45,438	23,757	8,869	46,397	46,397	46,397	3,212	(38,404)	(82,268)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(5,534)	(4,020)	(18,657)	138,005	105,034	105,034	126,314	86,960	91,657	96,606
Cash year end/monthly employee/supplier payments	18(1)b	3	2.6	2.9	1.4	0.4	2.2	2.2	2.2	0.1	(1.5)	(3.1)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997	5,266
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	10.5%	3.8%	9.7%	(7.7%)	(6.0%)	(6.0%)	6.5%	(0.6%)	(0.6%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	110.6%	101.0%	100.0%	57.8%	79.7%	79.7%	79.7%	75.5%	75.5%	75.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	5.7%	2.7%	1.6%	10.9%	11.1%	11.1%	11.1%	10.4%	10.4%	10.4%
Capital payments % of capital expenditure	18(1)c;19	8	6798.3%	102.2%	100.0%	72.1%	77.1%	0.0%	0.0%	96.1%	96.1%	96.1%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(13.5%)	(34.4%)	810.1%	(9.4%)	0.0%	0.0%	5.6%	5.4%	5.4%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.0%	0.5%	0.8%	0.8%	1.6%	0.0%	2.3%	2.2%	2.2%	2.2%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures	-	-										
High Level Outcome of Funding Compliance												
Total Operating Revenue			235,290	296,205	290,923	299,541	306,521	306,521	306,521	342,611	361,112	380,612
Total Operating Expenditure			247,355	296,829	320,160	373,275	375,673	375,673	375,673	415,635	438,080	461,736
Surplus/(Deficit)			(12,065)	(624)	(29,237)	(73,734)	(69,152)	(69,152)	(69,152)	(73,024)	(76,968)	(81,124)
Budgeted Operating Statement												
Surplus/(Deficit)			(17,599)	(4,644)	(47,894)	64,271	35,882	35,882	57,162	13,936	14,690	15,482
Considering Reserves and Cash Backing												
MTREF Funded (1) / Unfunded (0)	15	0	0	0	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✗	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓

2.10 Expenditure on Grants and Reconciliation of Unspent

Table 13 - MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17		
R thousand												
EXPENDITURE:	1											
<u>Operating expenditure of Transfers and Grants</u>												
National Government:		6,795	5,480	3,466	18,455	8,233	-	12,872	13,567	14,300		
Local Government Equitable Share		-	-	-	-	-	-	-	-	-		
Local Government Equitable Share		6,795	5,480	3,466	14,061	3,515	-	7,433	7,834	8,257		
Finance Management		-	-	-	1,550	1,806	-	1,600	1,686	1,777		
Municipal Systems Improvement		-	-	-	890	958	-	934	984	1,038		
EPWP Incentive		-	-	-	1,954	1,954	-	2,905	3,062	3,227		
Total operating expenditure of Transfers and Grants:		6,795	5,480	3,466	18,455	8,233	-	12,872	13,567	14,300		
<u>Capital expenditure of Transfers and Grants</u>												
National Government:		12	41,908	56,954	65,623	97,223	-	77,765	87,234	91,945		
Municipal Infrastructure Grant (MIG)		12	41,908	56,954	65,623	97,223	-	72,765	81,964	86,390		

MKHONDO LOCAL MUNICIPALITY 2014/15 – 2016/17 MTREF BUDGET

INEP								5,000	5,270	5,555
Total capital expenditure of Transfers and Grants	12	41,908	56,954	65,623	97,223	-	77,765	87,234	91,945	
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	6,807	47,388	60,420	84,078	105,456	-	90,637	100,801	106,245	

Table 14 - MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Operating transfers and grants:	1,3									
National Government: Balance unspent at beginning of the year										
Current year receipts Conditions met - transferred to revenue		34,096	31,782	9,949	115,106	117,030	117,030	132,752	139,921	147,476
Total operating transfers and grants revenue		34,096	31,782	9,949	115,106	117,030	117,030	132,752	139,921	147,476
Capital transfers and grants:	1,3									
National Government: Balance unspent at beginning of the year										
Current year receipts Conditions met - transferred to revenue		12	41,908	56,954	65,623	97,223	97,223	77,765	81,964	86,390
Current year receipts Conditions met - transferred to revenue		12	41,908	56,954	65,623	97,223	97,223	77,765	81,964	86,390
Current year receipts Conditions met - transferred to revenue		-	10,287	-	24,800	24,800	24,800	-	-	-
Total capital transfers and grants revenue		12	52,195	56,954	90,423	122,023	122,023	77,765	81,964	86,390
TOTAL TRANSFERS AND GRANTS REVENUE		34,108	83,977	66,903	205,529	239,053	239,053	210,517	221,885	233,867

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2.11 Councillors and Employee Benefits

Table 15 - MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions 1.	Allowances	Performance Bonuses	In-kind benefits	Total Package 2.
Rand per annum				1.				2.
Councillors	3							
Speaker	4		332,901	50,214	197,104			580,219
Chief Whip			199,643	155,000	189,313			543,956
Executive Mayor			404,100	86,510	234,664			725,274
Deputy Executive Mayor			–	–	–			–
Executive Committee			591,552	117,734	378,626			1,087,912
Total for all other councillors			4,299,009	603,252	2,060,377			6,962,638
Total Councillors	8	–	5,827,205	1,012,710	3,060,083			9,899,998
Senior Managers of the Municipality	5							
MUNICIPAL MANAGER (MM)			653,290	144,283	192,000	89,961		1,079,534
CHIEF FINANCIAL OFFICER (CFO)			472,821	112,837	185,539	70,109		841,306
GM TECHNICAL SERVICES			550,420	118,904	144,000	73,938		887,262
GM CORPORATE SERVICES			490,325	112,837	168,035	70,109		841,306
GM COMMUNITY SERVICES			538,360	112,837	120,000	70,109		841,306
<i>List of each official with packages >= senior manager</i>								–
ALL SENIOR MANAGERS			6,649,386	1,431,861	2,244,566	938,711		11,264,524
Total Senior Managers of the Municipality	8,10	–	9,354,602	2,033,559	3,054,140	1,312,937		15,755,238
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	–	15,181,807	3,046,269	6,114,223	1,312,937		25,655,236

Table 16 - MP303 Mkhondo - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Re f 1, 2	2012/13			Current Year 2013/14			Budget Year 2014/15		
		Positio ns	Permane nt employe es	Contract employe es	Positio ns	Permane nt employe es	Contract employe es	Positio ns	Permane nt employe es	Contract employe es
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		38	–	38	38	–	38	37	–	37
Board Members of municipal entities	4	–	–	–	–	–	–	–	–	–
Municipal employees	5	–	–	–	–	–	–	–	–	–

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Municipal Manager and Senior Managers	3	5	-	6	5	-	5	5	-	5
Other Managers	7	12	12	-	20	20	-	20	20	-
Professionals		330	312	18	358	351	7	167	167	-
Finance		35	35	-	37	30	7	42	42	-
Spatial/town planning		5	5	-	4	4	-	4	4	-
Information Technology		2	2	-	2	2	-	3	3	-
Roads		74	74	-	67	67	-	-	-	-
Electricity		32	32	-	41	41	-	-	-	-
Water		24	24	-	34	34	-	1	1	-
Sanitation		1	1	-	1	1	-	1	1	-
Refuse		1	1	-	1	1	-			-
Other		156	138	18	171	171	-	116	116	-
Technicians		76	76	-	244	213	31	209	209	-
Finance		-	-	-	-	-	-	-	-	-
Spatial/town planning		-	-	-	-	-	-	-	-	-
Information Technology		-	-	-	-	-	-	-	-	-
Roads		-	-	-	-	-	-	61	61	-
Electricity		4	4	-	4	4	-	46	46	-
Water		10	10	-	12	12	-	34	34	-
Sanitation		62	62	-	59	59	-	10	10	-
Refuse		-	-	-	-	-	-	58	58	-
Other		-	-	-	169	138	31	-	-	-
Clerks (Clerical and administrative)		-	-	-	-	-	-	-	-	-
Service and sales workers		-	-	-	-	-	-	-	-	-
Skilled agricultural and fishery workers		-	-	-	-	-	-	-	-	-
Craft and related trades		-	-	-	-	-	-	-	-	-
Plant and Machine Operators		-	-	-	-	-	-	-	-	-
Elementary Occupations		-	-	-	-	-	-	-	-	-
TOTAL PERSONNEL NUMBERS	9	461	400	62	665	584	81	438	396	42
% increase					44.3%	46.0%	30.6%	(34.1%)	(32.2%)	(48.1%)
Total municipal employees headcount	6, 10 8, 10									
Finance personnel headcount	10	35	35	-	37	30	7			
Human Resources personnel headcount	8, 10									

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Table 17 - MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description R thousand	Ref	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source	-															
Property rates		2,473	2,473	2,473	2,473	2,473	2,473	2,473	2,473	2,473	2,473	2,473	2,473	29,672	31,274	32,963
Property rates - penalties & collection charges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue		7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778	7,778	93,339	98,380	103,692
Service charges - water revenue		1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	1,256	15,073	15,887	16,745
Service charges - sanitation revenue		898	898	898	898	898	898	898	898	898	898	898	898	10,778	11,360	11,973
Service charges - refuse revenue		633	633	633	633	633	633	633	633	633	633	633	633	7,600	8,010	8,443
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		82	82	82	82	82	82	82	82	82	82	82	82	979	1,032	1,088
Interest earned - external investments		233	233	233	233	233	233	233	233	233	233	233	233	2,800	2,951	3,111
Interest earned - outstanding debtors		750	750	750	750	750	750	750	750	750	750	750	750	9,000	9,486	9,998
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		109	109	109	109	109	109	109	109	109	109	109	109	1,310	1,381	1,455
Licences and permits		8	8	8	8	8	8	8	8	8	8	8	8	99	104	110
Agency services		719	719	719	719	719	719	719	719	719	719	719	719	8,631	9,098	9,589
Transfers recognised - operational		11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,064	132,752	139,921	147,476
Other revenue		2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	27,767	29,266	30,847
Gains on disposal of PPE		-	-	-	-	-	-	-	2,810	-	-	0	2,810	2,962	3,122	
Total Revenue (excluding capital transfers and contributions)		28,317	28,317	28,317	28,317	28,317	28,317	28,317	31,127	28,317	28,317	28,317	28,318	342,611	361,112	380,612

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<u>Expenditure By Type</u>	-	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	99,805	105,194	110,874	
Employee related costs		825	825	825	825	825	825	825	825	825	825	825	9,900	10,435	10,998	
Remuneration of councillors		1,363	1,363	1,363	1,363	1,363	1,363	1,363	1,363	1,363	1,363	1,363	16,359	17,242	18,173	
Debt impairment		6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	6,088	73,058	77,003	81,161	
Depreciation & asset impairment		77	77	77	77	77	77	77	77	77	77	77	929	979	1,032	
Finance charges		6,744	6,744	6,744	6,744	6,744	6,744	6,744	6,744	6,744	6,744	6,744	80,924	85,294	89,900	
Bulk purchases		2,203	2,203	2,203	2,203	2,203	2,203	2,203	2,203	2,203	2,203	2,203	26,432	27,859	29,364	
Other materials		2,146	2,146	2,146	2,146	2,146	2,146	2,146	2,146	2,146	2,146	2,146	25,753	27,143	28,609	
Contracted services		1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	12,872	13,567	14,300	
Transfers and grants		5,922	5,922	5,922	5,922	5,922	5,922	5,922	5,922	5,922	5,922	5,922	4,465	69,605	73,363	77,325
Other expenditure		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Loss on disposal of PPE		34,758	34,758	34,758	34,758	34,758	34,758	34,758	34,758	34,758	34,758	34,758	33,299	415,635	438,080	461,736
Total Expenditure		(6,441)	(6,441)	(6,441)	(6,441)	(6,441)	(6,441)	(6,441)	(3,631)	(6,441)	(6,441)	(6,441)	(4,982)	(73,024)	(76,968)	(81,124)
Surplus/(Deficit)		25,922	-	-	-	25,922	-	-	-	25,922	-	-	(0)	77,765	81,964	86,390
Transfers recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions		19,481	(6,441)	(6,441)	(6,441)	19,481	(6,441)	(6,441)	(3,631)	19,481	(6,441)	(6,441)	(4,982)	4,741	4,997	5,266
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)	1	19,481	(6,441)	(6,441)	(6,441)	19,481	(6,441)	(6,441)	(3,631)	19,481	(6,441)	(6,441)	(4,982)	4,741	4,997	5,266

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Table 18 - MP303 Mkhondo - Supporting Table SA30

Budgeted monthly cash flow

MONTHLY CASH FLOWS R thousand	Budget Year 2014/15												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash Receipts By Source													1		
Property rates	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	1,830	21,957	23,143	24,393
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	5,756	5,756	5,756	5,756	5,756	5,756	5,756	5,756	5,756	5,756	5,756	5,756	69,071	72,801	76,732
Service charges - water revenue	930	930	930	930	930	930	930	930	930	930	930	930	11,154	11,756	12,391
Service charges - sanitation revenue	665	665	665	665	665	665	665	665	665	665	665	664	7,976	8,406	8,860
Service charges - refuse revenue	469	469	469	469	469	469	469	469	469	469	469	469	5,624	5,928	6,248
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	82	82	82	82	82	82	82	82	82	82	82	82	979	1,032	1,088
Interest earned - external investments	233	233	233	233	233	233	233	233	233	233	233	233	2,800	2,951	3,111
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	173	173	173	173	173	173	173	173	173	173	173	(922)	983	2,190	2,308
Licences and permits	8	8	8	8	8	8	8	8	8	8	8	8	99	104	110
Agency services	719	719	719	719	719	719	719	719	719	719	719	720	8,631	9,098	9,589
Transfer receipts - operational	44,250	-	-	-	44,250	-	-	-	44,250	-	-	0	132,751	139,920	147,475
Other revenue	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	2,314	27,767	29,266	30,847
Cash Receipts by Source	57,428	13,178	13,178	13,178	57,428	13,178	13,178	13,178	57,428	13,178	13,178	12,083	289,792	306,596	323,151

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Other Cash Flows by Source															
Transfer receipts - capital	25,922	-	-	-	25,922	-	-	-	25,922	-	-	(0)	77,765	81,964	86,390
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	2,810	-	-	-	-	2,810	2,962	3,122
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	83,350	13,178	13,178	13,178	83,350	13,178	13,178	15,988	83,350	13,178	13,178	12,083	370,367	391,522	412,664
Cash Payments by Type															
Employee related costs	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	8,317	99,805	105,194	110,874
Remuneration of councillors	825	825	825	825	825	825	825	825	825	825	825	825	9,900	10,435	10,998
Finance charges	77	77	77	77	77	77	77	77	77	77	77	78	929	979	1,032
Bulk purchases - Electricity	6,698	6,698	6,698	6,698	6,698	6,698	6,698	6,698	6,698	6,698	6,698	6,698	80,374	84,714	89,289
Bulk purchases - Water & Sewer	46	46	46	46	46	46	46	46	46	46	46	46	550	580	611
Other materials	2,197	2,197	2,197	2,197	2,197	2,197	2,197	2,197	2,197	2,197	2,197	2,197	26,369	27,793	29,294
Contracted services	2,163	2,163	2,163	2,163	2,163	2,163	2,163	2,163	2,163	2,163	2,163	2,163	25,958	27,360	28,837
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	12,872	13,567	14,300
Other expenditure	5,836	5,836	5,836	5,836	5,836	5,836	5,836	5,836	5,836	5,836	5,836	280	64,474	69,109	72,841
Cash Payments by Type	27,232	21,677	321,230	339,731	358,076										

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Other Cash Flows/Payments by Type															
Capital assets	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688	4,050	88,622	93,408	98,452
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	34,921	34,921	34,921	34,921	34,921	34,921	34,921	34,921	34,921	34,921	34,921	25,727	409,852	433,138	456,528
NET INCREASE/(DECREASE) IN CASH HELD	48,430	(21,742)	(21,742)	(21,742)	48,430	(21,742)	(21,742)	(18,932)	48,430	(21,742)	(21,742)	(13,643)	(39,485)	(41,616)	(43,864)
Cash/cash equivalents at the month/year begin:	42,697	91,126	69,384	47,641	25,899	74,328	52,586	30,843	11,911	60,340	38,598	16,855	42,697	3,212	(38,404)
Cash/cash equivalents at the month/year end:	91,126	69,384	47,641	25,899	74,328	52,586	30,843	11,911	60,340	38,598	16,855	3,212	3,212	(38,404)	(82,268)

2.12 Other Supporting Documents

Table 19 - MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		13,257	15,130	18,893	25,222	25,222	25,222	25,222	29,672	31,274	32,963
less Revenue Foregone											
Net Property Rates		13,257	15,130	18,893	25,222	25,222	25,222	25,222	29,672	31,274	32,963
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		60,118	72,647	79,847	85,090	83,096	83,096	83,096	93,339	98,380	103,692
less Revenue Foregone											
Net Service charges - electricity revenue		60,118	72,647	79,847	85,090	83,096	83,096	83,096	93,339	98,380	103,692
Service charges - water revenue	6										
Total Service charges - water revenue		11,220	12,417	11,250	14,863	14,390	14,390	14,390	15,073	15,887	16,745
less Revenue Foregone											
Net Service charges - water revenue		11,220	12,417	11,250	14,863	14,390	14,390	14,390	15,073	15,887	16,745
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		5,128	4,925	5,649	6,047	9,261	9,261	9,261	10,778	11,360	11,973
less Revenue Foregone											
Net Service charges - sanitation revenue		5,128	4,925	5,649	6,047	9,261	9,261	9,261	10,778	11,360	11,973
Service charges - refuse revenue	6										
Total refuse removal revenue		5,938	6,335	6,738	10,324	7,115	7,115	7,115	7,600	8,010	8,443
Total landfill revenue											
less Revenue Foregone											
Net Service charges - refuse revenue		5,938	6,335	6,738	10,324	7,115	7,115	7,115	7,600	8,010	8,443
Other Revenue by source											
Administrative costs				15	4,202						
Advertising/posters (from pre audit back to audited outcomes were sum'd together)		34,096	31,782	22	77	32,535	32,535	32,535			
Building plans & cemetery fees				142	664				2,774	2,923	3,081
(Donation received - audited outcome 2011/12)				108	105				3,540	3,731	3,933
Clearance certificates, VAT, valuation certificates & commission fees				-	9				4	4	4
Bins,Cut of grass				1,091	1,831						
Encroachment, Escorting & Weighbridge fees				0	334						
Sale of garden refuse bulk containers,refuse bins & prepaid boxes											

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Postcards, statements & photocopies fees			2,422	66							
Rentals,Private calls recovered				511					819	863	910
Private work & reconnection fees				98					309	325	343
Sale of pines,gums & wattle barks			5,740	13,500					18,187	19,169	20,204
Sundry - tenders, sub division of stands & testing of meters	3		409	517					2,135	2,250	2,371
Total 'Other' Revenue	1	34,096	31,782	9,949	21,915	32,535	32,535	32,535	27,767	29,266	30,847
EXPENDITURE ITEMS:											
<u>Employee related costs</u>											
Basic Salaries and Wages	2	46,394	50,232	59,379	65,878	70,944	70,944	70,944	71,525	75,388	79,459
Pension and UIF Contributions		6,338	9,843	11,423	12,454	8,801	8,801	8,801	12,990	13,692	14,431
Medical Aid Contributions		1,555	2,002	2,433	3,022	2,319	2,319	2,319	3,081	3,248	3,423
Overtime		3,313	4,394	5,618	2,163	3,512	3,512	3,512	4,242	4,471	4,713
Performance Bonus		–	–	–	–	(71)	(71)	(71)	–	–	–
Motor Vehicle Allowance		1,840	2,652	1,847	2,190	2,422	2,422	2,422	2,506	2,642	2,784
Cellphone Allowance		–	–	–	–	–	–	–	–	–	–
Housing Allowances		586	945	1,067	1,237	29	29	29	1,017	1,072	1,130
Other benefits and allowances		379	4,091	4,788	1,238	5,292	5,292	5,292	4,442	4,682	4,935
Payments in lieu of leave		–	–	–	–	–	–	–	–	–	–
Long service awards		203	–	203	–	–	–	–	–	–	–
Post-retirement benefit obligations	4	–	–	–	–	–	–	–	–	–	–
sub-total	5	60,608	74,159	86,757	88,182	93,248	93,248	93,248	99,805	105,194	110,874
Less: Employees costs capitalized to PPE											
Total Employee related costs	1	60,608	74,159	86,757	88,182	93,248	93,248	93,248	99,805	105,194	110,874
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment		66,732	67,633	71,498	69,183	69,183	69,183	69,183	73,058	77,003	81,161
Lease amortization						–					
Capital asset impairment						–					
Depreciation resulting from revaluation of PPE	10					–					
Total Depreciation & asset impairment	1	66,732	67,633	71,498	69,183	69,183	69,183	69,183	73,058	77,003	81,161
<u>Bulk purchases</u>											
Electricity Bulk Purchases		50,417	66,732	61,693	63,833	72,365	72,365	72,365	80,374	84,714	89,289
Water Bulk Purchases		4,116	3,182	1,575	1,795	1,795	1,795	1,795	550	580	611
Total bulk purchases	1	54,533	69,914	63,268	65,628	74,160	74,160	74,160	80,924	85,294	89,900
<u>Transfers and grants</u>											
Cash transfers and grants		6,795	5,480	3,466	18,455	8,233	8,233	8,233	12,872	13,567	14,300
Non-cash transfers and grants		–	–	–	–	–	–	–	–	–	–

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Total transfers and grants	1	6,795	5,480	3,466	18,455	8,233	8,233	8,233	12,872	13,567	14,300
<u>Contracted services</u>											
<i>List services provided by contract Private contractors' e.g. SIVIL Culture, Mpangazitha.</i>		–	–	24,396	6,790	10,131	10,131	10,131	14,494	15,276	16,101
Security services				8,238	8,935	9,085	9,085	9,085	9,699	10,223	10,775
Valuation roll: supplementary.				–	400	4,400	4,400	4,400	1,200	1,265	1,333
VAT review commission				–	645	645	645	645	360	379	400
<i>sub-total</i>		–	–	32,635	16,124	24,261	24,261	24,261	25,753	27,143	28,609
Total contracted services	1	–	–	32,635	16,124	24,261	24,261	24,261	25,753	27,143	28,609
<u>Other Expenditure By Type</u>											
Audit fees		2,553	2,755	2,812	2,862	2,362	2,362	2,362	2,494	2,629	2,771
General expenses	3	37,123	53,724	32,940	64,631	47,601	47,601	47,601	51,233	54,000	56,916
<i>List Other Expenditure by Type</i>											
Transfer to Reserves					13,552	10,249	10,249	10,249	15,877	16,734	17,638
Interest and Redemption											
Repairs & Maintenance		6,725	10,213								
Valuation roll					4,000						
Unbundling of assets					1,500						
Total 'Other' Expenditure	1	46,402	66,692	35,753	86,545	60,213	60,213	60,213	69,605	73,363	77,325

Repairs and Maintenance by Expenditure Item	8										
Other Expenditure		6,725	10,213		24,093	18,701	18,701	18,701	26,369	27,793	29,294
Total Repairs and Maintenance Expenditure	9	6,725	10,213	–	24,093	18,701	18,701	18,701	26,369	27,793	29,294

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**Table 20 - MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget
(revenue source/expenditure type and dept.)**

Description	Ref	Vote 1 - Executive Council	Vote 2 - Budget & Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning & Development	Vote 5 - Health	Vote 6 - Community & Social Services	Vote 7 - Housing	Vote 8 - Public Safety	Vote 9 - Sports & Recreation	Vote 10 - Roads & Technical Services	Vote 11 - Waste Management	Vote 12 - Waste Water Management	Vote 13 - Water	Vote 14 - Electricity	Vote 15 - Other	Total
R thousand	1																
Revenue By Source																	
Property rates			29,672														29,672
Property rates - penalties & collection charges																	-
Service charges - electricity revenue																	93,339
Service charges - water revenue																	15,073
Service charges - sanitation revenue																	10,778
Service charges - refuse revenue																	7,600
Service charges - other																	-
Rental of facilities and equipment				119													979
Interest earned - external investments			2,800														2,800
Interest earned - outstanding debtors			9,000														9,000
Dividends received																	-
Fines									1,310								1,310
Licences and permits									99								99
Agency services									8,631								8,631
Other revenue																	
Transfers recognised - operational		127,313	2,534														132,752
Gains on disposal of PPE			2,810														2,810

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Total Revenue (excluding capital transfers and contributions)	130,123	44,006	119	-	-	-	860	10,040	-	2,905	7,604	10,925	18,475	99,206	18,347	342,611
Expenditure By Type																
Employee related costs	5,213	15,275	11,062	-	2,936	1,787	-	9,621	2,684	19,817	7,203	1,254	7,863	11,010	4,078	99,805
Remuneration of councillors	9,900								-							9,900
Debt impairment		16,359														16,359
Depreciation & asset impairment		73,058														73,058
Finance charges											929					929
Bulk purchases														550	80,374	80,924
Other materials	19	42	2,845	-	1	82	2	935	126	5,515	678	2,758	7,191	6,107	132	26,432
Contracted services		10,958	2,840					-	29	179	33		-	4,377	7,337	25,753
Transfers and grants	7,433	2,534									2,905					12,872
Other expenditure	28,246	11,040	6,181	-	105	103	3	2,535	3,141	4,505	2,213	1,411	4,220	1,624	4,279	69,605
Loss on disposal of PPE	-															-
Total Expenditure	50,811	129,265	22,927	-	3,041	1,972	5	13,090	5,980	30,946	13,031	5,424	24,202	99,115	15,827	415,636
Surplus/(Deficit)	79,312	(85,259)	(22,808)	-	(3,041)	(1,972)	856	(3,050)	(5,980)	(28,041)	(5,427)	5,501	(5,727)	91	2,520	(73,024)
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	77,765	-	-	-	-	-	77,765
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	79,312	(85,259)	(22,808)	-	(3,041)	(1,972)	856	(3,050)	(5,980)	49,724	(5,427)	5,501	(5,727)	91	2,520	4,741

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**Table 21 - MP303 Mkhondo - Supporting
Table SA3 Supporting detail to
'Budgeted Financial Position'**

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Call investment deposits											
Call deposits < 90 days	2	32,569	39,936	–	33,674	49,252	49,252	49,252	58,439	61,595	64,921
Other current investments > 90 days		–	–	–	–	–	–	–	–	–	–
Total Call investment deposits		32,569	39,936	–	33,674	49,252	49,252	49,252	58,439	61,595	64,921
Consumer debtors											
Consumer debtors	2	83,257	90,867	110,872	127,974	115,545	115,545	115,545	122,016	128,604	135,549
Less: Provision for debt impairment		(69,393)	(72,528)	(97,133)	–	–	–	–	–	–	–
Total Consumer debtors		13,864	18,339	13,739	127,974	115,545	115,545	115,545	122,016	128,604	135,549
Debt impairment provision											
Balance at the beginning of the year	2	(63,886)	(78,607)	(77,612)	–	–	–	–	–	–	–
Contributions to the provision		(5,507)	6,078	(19,522)	–	–	–	–	–	–	–
Bad debts written off		–	–	–	–	–	–	–	–	–	–
Balance at end of year		(69,393)	(72,529)	(97,133)	–	–	–	–	–	–	–
Property, plant and equipment (PPE)											
PPE at cost/valuation (excl. finance leases)	3	1,349,583	1,344,676	1,369,749	2,090,472	1,139,364	1,139,364	1,139,364	1,203,168	1,268,139	1,336,619
Leases recognised as PPE		–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation		66,264	69,233	72,419	847,917	–	–	–	–	–	–
Total Property, plant and equipment (PPE)		1,283,319	1,275,443	1,297,330	1,242,555	1,139,364	1,139,364	1,139,364	1,203,168	1,268,139	1,336,619
LIABILITIES											
Current liabilities - Borrowing											

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Short term loans (other than bank overdraft)	1,556	1,475	1,291	1,475	-	-	-	-	-	-	
Current portion of long-term liabilities	-	-	-	-	-	-	-	-	-	-	
Total Current liabilities - Borrowing	1,556	1,475	1,291	1,475	-	-	-	-	-	-	
Trade and other payables											
Trade and other creditors	69,781	71,767	18,050	21,369	23,738	23,738	23,738	25,067	26,421	27,848	
Unspent conditional transfers	-	942	38,833	23,833	14,203	14,203	14,203	17,377	18,316	19,305	
VAT	-	2,627	3,548	424	-	-	-	-	-	-	
Total Trade and other payables	69,781	75,336	60,431	45,626	37,941	37,941	37,941	42,445	44,737	47,153	
Non current liabilities - Borrowing											
Borrowing	-	-	4,177	4,303	4,303	4,303	4,303	-	-	-	
Finance leases (including PPP asset element)	5,395	4,102	-	-	-	-	-	-	-	-	
Total Non current liabilities - Borrowing	5,395	4,102	4,177	4,303	4,303	4,303	4,303	-	-	-	
Provisions - non-current											
Retirement benefits	2,482	3,218	16,705	3,862	-	-	26,268	27,739	29,236	30,815	
<i>List other major provision items</i>											
Refuse landfill site rehabilitation	6,554	5,336	9,697	5,336	-	-	-	-	-	-	
Other	-	-	-	-	9,697	9,697	9,697	10,240	10,793	11,376	
Total Provisions - non-current	9,036	8,554	26,402	9,198	9,697	9,697	35,965	37,979	40,029	42,191	
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)											
Accumulated Surplus/(Deficit) - opening balance	1,347,953	1,283,705	1,305,899	1,537,495	1,385,487	1,438,358	1,412,090	1,493,985	1,574,660	1,659,691	
GRAP adjustments	-	-	-	-	-	-	-	-	-	-	
Restated balance	1,347,953	1,283,705	1,305,899	1,537,495	1,385,487	1,438,358	1,412,090	1,493,985	1,574,660	1,659,691	
Surplus/(Deficit)	(12,053)	51,571	27,718	16,689	52,871	52,871	(69,152)	4,741	4,997	5,266	
Appropriations to Reserves	-	-	-	-	-	-	-	-	-	-	
Accumulated Surplus/(Deficit)	1,335,900	1,335,277	1,333,616	1,554,184	1,438,358	1,491,229	1,342,938	1,498,725	1,579,656	1,664,958	
Total Reserves	2	-									
TOTAL COMMUNITY WEALTH/EQUITY	2	1,335,900	1,335,277	1,333,616	1,554,184	1,438,358	1,491,229	1,342,938	1,498,725	1,579,656	1,664,958

2.13 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ **In year reporting**

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports.

➤ **Internship programme**

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 14 interns through this programme and a majority of them were still in their last term of internship contract the placement plan is to absorb all interns within the various division with Office of the Chief Financial Officer, and one of the senior interns from the first team is appointed as Accountant Revenue Division.

Business plan for FMG includes two additional interns for capacitating Internal Audit Unit in the Office of the Municipal. Ten (4) additional interns will be expected to start as from 01 July 2014.

➤ **Budget & Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA, but awaiting an approval of the amended organogram to appoint SCM manager in the Office of the CFO

➤ **Audit Committee**

An Audit Committee has recently been appointed and it will assume office on the 01 June 2014.

➤ **Annual Report**

Annual report is compiled in terms of the MFMA and National Treasury requirements.

➤ **Policies**

A list of all budget related policies will be approved during the 2014/15 MTREF by Council on the 31 May 2014, a list of all approved policies have been included as annexure.

2.15 Municipal Manager's Quality Certificate

I _____, Municipal Manager of Mkhondo Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Mkhondo Local Municipality (MP303)

Signature _____

Date _____